



CHICAGO AIRPORT SYSTEM

ANNUAL REPORT 1992-1993

CITY OF CHICAGO RICHARD M. DALEY, MAYOR
DEPARTMENT OF AVIATION DAVID R. MOSENA, COMMISSIONER

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EXECUTIVE STATEMENT

Chicago's airports are a driving force of the metropolitan area's economy, generating jobs and economic activity like no other entity in our region. Over 339,000 jobs are attributable to a vibrant airport system, with half of the jobs held by suburban residents, the other half by Chicago residents.

Chicago's airports are responsible for creating an astounding \$13.5 billion in personal income each year, with 70% of that income flowing to suburban residents, and 30% to Chicago residents.

This City has been a leader in trade and travel throughout its history, and the key to Chicago's future is staying competitive as an international center for tourism, commerce and transportation.

Today, as air travel unifies the world, Chicago remains preeminent. Our airports, Chicago O'Hare International, Midway Airport and Meigs Field, served over 70 million passengers in 1992. In 1993, Chicago's airports reached new heights with the advent of several innovations to make travel easier and more convenient.

At O'Hare in May 1993, we christened a new 1.2 million square foot International Terminal, which serves as a global gateway for the fast-growing field of foreign travel. Today, 31 airlines offer worldwide air service to 63 non-stop and direct destinations from O'Hare International.

The City's geographical location is a key factor to its success as an aviation crossroads.

But Chicago's leading position is no accident—it's the result of hard work, excellent management and ongoing investment in the face of growing competition from other airports.

Our goal is to build and manage for the future, in order to maintain a competitive edge and preserve the economic engine.

These are difficult economic times for the airlines. It is important that the City look for ways to operate its airport network more cost-effectively. We are accomplishing this today at Chicago's airports: we've reduced operat-

ing costs by refinancing airport bonds, privatized some airport functions and relocated our executive offices to O'Hare.

The biggest cost savings can be realized by reducing aircraft delays during bad weather, and making other physical improvements in the coming years. We must serve our passengers better by making our airports friendlier and easier to use, and we must address the concerns of neighbors who live and work around airports. And we are positioning ourselves to serve the rapid expansion of worldwide travel.

Some of the work has already begun. We're launching a new capital improvement program totaling \$869 million in projects.

The City is working to be a better neighbor as well. At O'Hare, we're studying ways of managing aircraft noise, and finalizing a noise compatibility study, a plan to manage sound around the airport to the benefit of our neighbors. At Midway Airport, the City has completed and received FAA approval for a noise compatibility study, and will move forward with many of the recommendations in 1994.

We've already invested \$63.1 million in soundproofing, completing projects at 35 schools near O'Hare and three near Midway to date in order to improve the learning environment. Looking ahead, noise mitigation projects will be an integral part of capital improvement programs at both airports, financed primarily by the Passenger Facility Charge collected at O'Hare and Midway airports.

All these improvements are being made to ensure that O'Hare and Midway continue to serve the area's transportation needs, the needs of travelers and the needs of our neighbors, while fueling the economic engine that has contributed so much to the City of Chicago and its suburbs for the past three decades.



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Richard M. Daley, Mayor



MESSAGE FROM THE COMMISSIONER

Chicago's airports are on the move, evidenced by a new international terminal and a fast and frequent people mover, the automated transit system at O'Hare, and, at Midway, a newly renovated parking lot and many other improvements on the way.

These new features and so much more are helping Chicago accommodate and move travelers more efficiently than ever before.

At O'Hare, the new International Terminal and Airport Transit System opened to the public in May, 1993, and dramatically improved service for domestic and international travelers using the airport.

At O'Hare, improvements that enhanced airfield and terminal operational efficiencies were implemented over the past two years totaling \$962 million. The construction activity associated with these improvements took place over the past five years. These projects paved the way to make the airport more user-friendly and operate better during bad weather.

At Midway, as of December 31, 1993, 193 flights depart each day to 63 cities across the U.S., a strong comeback for the airport which lost its anchor tenant in November, 1991.

In 1991, Bond Anticipation Notes (BANS) were issued in anticipation of the current Midway improvement program. Projects completed in 1992-93 and funded with BANS and AIP funds totaled \$36 million. These projects, including rehabilitation of runways, taxiways, parking and the entrance roadway address the airport's efficiency and give aircraft better maneuverability. A landscaping initiative makes the airport look more attractive than ever before. The CTA's Orange Line to Midway offers passengers a new transit system making travel convenient from downtown Chicago.

In the past two years, more has been invested in Chicago's airport system than most U.S. airports.

David R. Mosena
Commissioner of Aviation



All told, almost \$1 billion in capital projects were completed over the past 24 months at Chicago's airports.

But even as we continue to invest and incorporate new services, we've improved the way we do business by becoming more cost effective.

In response to financial difficulties experienced by the airline industry today, we have cut our budget, privatized many functions to improve service while cutting costs to the air lines, and relocated our administrative offices to O'Hare, saving \$750,000 a year in rent. The move puts top management and staff in the middle of the airport operating environment.

During 1993, the City took advantage of low interest rates and saved the airlines over \$200 million by refinancing airport bonds.

One of Chicago's strongest growth markets is international travel. The

new International Terminal positions Chicago for future growth. It creates a fabulous welcome to our international visitors, featuring new amenities for all arriving passengers, speedy processing through U.S. Immigration and Customs, and concessions including some of Chicago's most recognized restaurants.

We can't take success for granted. By running our airports professionally and planning for the future, we can ensure that Chicago's airport system will continue to contribute to the area's economic vitality. We need to keep our airports competitive.

Airports, just as airlines, operate in a competitive environment and our job is to be cost-efficient managers, to be creative in making the airports more user-friendly, and to keep Chicago on the fast track with improvements and enhancements aimed at better serving the traveling public.

Future
Investments
Keep
Chicago's
Economy
Strong

CHICAGO'S ECONOMIC ENGINE: BENEFITS FOR CHICAGOANS AND SUBURBAN RESIDENTS

To achieve an objective picture of the airport's economic impact on the surrounding communities, the City set out to determine the value of Chicago's airports to the regional economy. And the numbers were truly impressive.

In March 1993, Mayor Richard M. Daley joined area business leaders on the 30th anniversary of O'Hare's dedication to release the results of the Economic Impact Study. Business leaders joined the Mayor in stressing how crucial O'Hare is to their success.

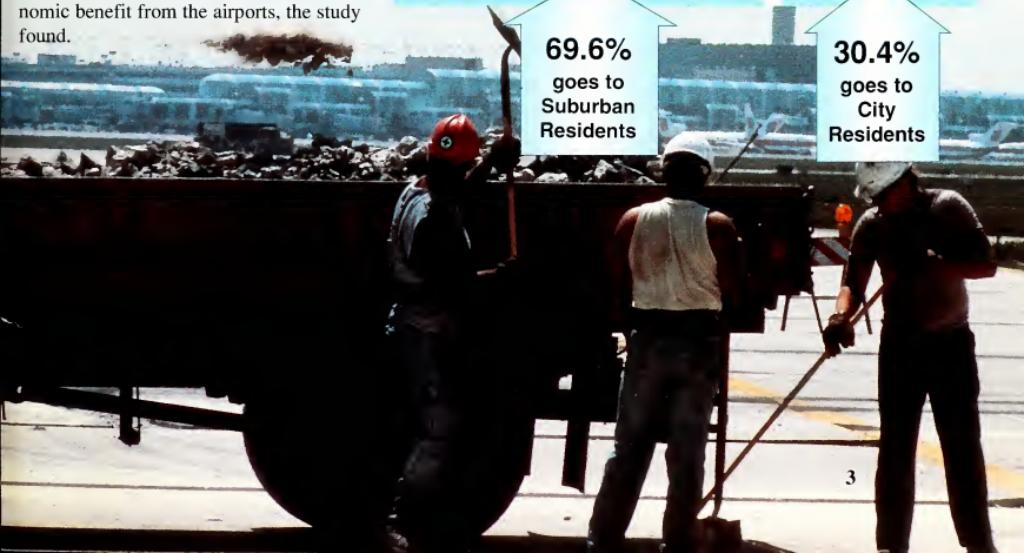
The Economic Impact Study found that Chicago's airports create 339,000 jobs in 72 different areas including manufacturing, teaching, high-tech industries, and a wealth of other jobs that depend on a thriving airport system.

Chicago's airports are responsible for generating \$13.5 billion each year in economic activity to the region. Every county in the metropolitan area derives economic benefit from the airports, the study found.



Mayor Richard M. Daley (center) celebrates the 30th anniversary of O'Hare International's dedication with a large cake replica of the world's busiest airport. Joining Mayor Daley are (l to r) Jim Gunn, American Airlines Vice President—Chicago; Michael Nussbaum, President and Chief Operating Officer, Field Container Co.; Frank Considine, Chairman of the Executive Committee; American National Can Company; Edward Phillips, FAA Great Lakes Regional Administrator; and Laurie Stone, Executive Director, Greater O'Hare Association. Not pictured but also attending was J. Richard Street, Vice President, Airport Affairs, United Airlines.

Chicago's Airports Generate: \$13.5 Billion Annually



Capital Projects Produce Jobs

BUILDING OUR FUTURE SUCCESS

Capital Projects create tremendous job opportunities:

- 15,000 jobs created during the three-year life of the International Terminal construction project.
- Received FAA approval to collect Passenger Facility Charge (PFC). Capital projects totaling \$580.3 million will create some 22,000 jobs over the next ten years at O'Hare and Midway. Additional capital projects will be funded by Airport Improvement Program (AIP) funds, General Airport Revenue Bonds and other funding sources.

COMPLETED CAPITAL PROJECTS AT O'HARE*

1992:	\$ 76,277,000	million
1993:	\$886,686,635	million
Total	\$962,963,635	million

*Includes projects started in prior years but completed as reflected above.



Additional investment is planned to keep the airport system viable and thriving in the future. These projects will reduce the number of delayed flights, create new business opportunities, open new lines of communication with our worldwide neighbors, and improve access both into and within the airport.

The City has undertaken and completed many recent capital projects at O'Hare:

1992

- Runway/taxiway improvements
- High-speed exit for Runway 4R
- 14L and 14R overlay projects
- Purchase of TWA cargo facility for Terminal 5

1993

- Runway 27L hold pad project
- Runway 9R hold pad.

(Hold pad projects will help reduce delays by giving aircraft better maneuverability during times of bad weather.)

- Runway 4R overlay
- New International Terminal
- Airport Transit System
- Landscaping beautification program
- New taxiway guidance signs for air field: 600 new signs installed.
- South Cooling Tower project: New generators are energy and cost efficient and better for the environment.

THE NEW INTERNATIONAL TERMINAL

O'Hare opened a new window to the world in 1993 with the airport's latest addition, the International Terminal. An opening gala hosted by Mayor Richard M. Daley was held for over 1,800 guests in conjunction with the Sister Cities Program, Inc. Each of Chicago's Sister Cities commissioned artists to visit Chicago and create murals that are now on permanent display in the arrivals corridor at the new International Terminal.



"Chicago's 12 Sister Cities remind us that this new terminal is not just about connecting flights, it's about connecting people."
... Mayor Daley



"Chicago's 12 Sister Cities remind us that this new terminal is not just about connecting flights, it's about connecting people," said Mayor Richard M. Daley at the festivities, the night before the terminal opened.

The next day, Mayor Daley was joined by U.S. Secretary of Transportation Federico Peña and top airline and federal transportation officials for a ceremonial ribbon cutting welcoming the first flight to arrive at the new terminal.

Arrivals at the \$618 million new terminal began four days ahead of schedule on May 27, 1993, and departures commenced September 30th, one day ahead of schedule.



First arrivals: American and United flights from Europe

Mayor Daley, U.S. Department of Transportation Secretary Federico Peña and other airline officials greeted passengers from the first arriving flights.



"We're not only cutting a ribbon here today and celebrating a vision made real, we're setting a new benchmark in the aviation industry," said Secretary Peña. "It's not only beautiful—it's convenient, efficient and passenger friendly—and it's going to bring the world to Chicago as never before."

Features of the 1.2 million square foot facility include 21 airline gates, an advanced laser-read baggage sorting system, free luggage carts for arriving passengers, digital signs offering directions in 17 different languages, and friendly City visitor information centers staffed by multilingual representatives.



Terminal 5 Food Court

Concessions at the new terminal have a Chicago flavor, with restaurants operated by Pizzeria Uno, Gold Coast Dogs, Lou Mitchell's and McDonald's rounding out the food court. As you approach U.S. Immigration, colorful photographic displays showcase Chicago's attractions, from Buckingham Fountain to former Chicago Bulls star Michael Jordan.

The widespread economic impact of the International Terminal construction was evident:

- Over 15,000 jobs were created during construction.
- Minority business participation: 37%
- Minority workforce participation: 38%
- The construction team, Terminal 5 Venture, was awarded the Martin Luther King Jr. Economic Partnership Award for outstanding minority participation.





*Chicago's new International Terminal
welcomes the world like never before.*

Airport Transit System and O'Hare Communications Center



AIRPORT TRANSIT SYSTEM SPEEDS TRAVEL

The Airport Transit System (ATS) makes O'Hare easier to use by improving access within the airport.

The new \$127 million ATS handles more than half a million people each month. It offers fast, quiet and efficient service for air travelers making connections or proceeding to the airport's parking lots.

The ATS runs on 2.7 miles of track and travels between terminals 1, 2, 3 and 5 (international) and long-term parking Lot E. Each of the 13 vehicles can accommodate 57 passengers and their luggage.



On May 27, 1993, (l to r) U.S. Secretary of Transportation Federico Pena, MATRA President and CEO Frederic d'Aleste, and Mayor Richard M. Daley join in officially dedicating the Airport Transit System.



O'HARE COMMUNICATIONS CENTER

The new O'Hare Communications Center brings all critical airport communications, once spread out over four locations, into one room, expediting coordination between police, fire, airport security and airport operations.

A Computer-Aided Display immediately accesses all the information needed to effectively respond to any emergency—including details like the location of fuel tanks and utility lines. This information is essential to speed the response of fire and police departments.

Mayor Richard M. Daley officially opened the new center in May, 1992.

"Today we are unveiling a new communications control center for O'Hare International Airport that will help ensure the safety of air travel and the security of the world's busiest airport," said Mayor Daley. "This facility is being heralded as the most extensive consolidation of vital airport services in the country. The new O'Hare Communications Center will be a model for the rest of the nation to follow."

In fact, several other airports are already planning similar command centers including Atlanta Hartsfield; Kuala Lumpur International Airport, Malaysia; and John F. Kennedy Airport in New York.

In 1993, over 2,500 visitors toured the OCC, including representatives from transportation agencies, municipalities and utilities.



"This facility is being heralded as the most extensive consolidation of vital airport services in the country."
—Mayor Daley

VALUABLE MILITARY LAND MEANS NEW JOBS AND OPPORTUNITIES

Mayor Richard M. Daley won approval from the Base Realignment and Closure Commission to relocate the military units now stationed at O'Hare on 356 acres of prime airport land, to create new business opportunities.

The development of the military property could translate into nearly 5,700 permanent jobs and \$284 million in annual economic impact.

The land is immediately adjacent to the world's busiest airport, and holds great potential for future development.

The City is contemplating a number of different uses, including cargo development, intermodal access and some commercial development.

The City has until 1995 to develop a financing plan to pay for the relocation, and until 1998 to move the military to another site suitable to the U.S. Air Force.

DELAY TASK FORCE PROJECTS MOVE FORWARD

Each year, millions of passengers using Chicago's Airports are affected by aircraft delay. But Chicago is now tackling the issue of delay through a number of projects aimed at improving efficiency.

The Chicago Delay Task Force, comprised of members from the City, State of Illinois, FAA, airline carriers, and other agencies, convened to address potential solutions to aircraft delays, which cost the airlines, the passenger, and the airport millions of dollars each year. The Task Force agreed on a number of recommendations to reduce delay and improve airport operational efficiency, ranging from projects at O'Hare and Midway to FAA Air Traffic Control operational improvements.

So far, 14 improvements have been completed, including eight addressing airfield

efficiency such as new hold pads and runway exits at O'Hare and Midway, and six other actions to improve FAA's Air Traffic Control procedures. Other recommendations are undergoing further analysis.

PASSENGER FACILITY CHARGE APPROVED

In November, 1992, the City filed its application for collection of a new user fee, called the Passenger Facility Charge (PFC), at O'Hare and Midway airports.

Mayor Richard M. Daley was instrumental in gaining passage of the PFC in Congress for airports across the country. This new revenue will be dedicated for capital improvement projects at O'Hare and Midway Airports.

The City's PFC application was approved by the Federal Aviation Administration in June, 1993, and collection began on September 1, 1993.

\$738.7 MILLION IN CAPITAL PROJECTS FOR O'HARE INCLUDING:

- Runway and taxiway rehabilitation
- Two new hold pads to reduce airfield delays
- Upgrades to Terminals 2 and 3
- An aggressive noise mitigation program
- New Airport Rescue and Firefighting Station

\$130.8 MILLION IN CAPITAL PROJECTS FOR MIDWAY INCLUDING:

- Runway and taxiway improvements
- Airport Maintenance Complex
- Noise mitigation program
 School Soundproofing
 Noise barrier fence on perimeter
- Terminal improvements
- New restrooms
- Nursing Station

(See Midway section pg. 15 for further detail)



While making important investments in the future of Chicago's airports, the City is also aggressively looking for ways to contain operating costs.



MANAGEMENT IMPROVEMENTS: 1992-1993

In 1992, the Department of Aviation reduced its budget to help contain airport operation costs. The City cut fees and expenses, reduced staff and downsized the airport's construction management team while making it more efficient.

The Department of Aviation's downtown headquarters was closed in 1993 and 150 employees relocated to O'Hare Airport, in surplus space. This resulted in a savings of \$750,000, the annual cost of the downtown office lease. The relocation also improved management by moving managers and policy makers closer to airport operations.

In addition, in 1993, Chicago saved over \$192 million in interest costs by refinancing \$617 million in O'Hare General Airport Revenue Bonds through the largest ever aviation bond refinancing in history. In addition, the City saved the airlines almost \$12 million in a \$150 million General Airport Revenue Bond refinancing earlier that year.



PRIVATIZATION:

IN AN EFFORT TO CUT COSTS AND IMPROVE SERVICES, THE CITY PRIVATIZED SEVERAL FUNCTIONS OVER THE PAST YEAR:

- Operation and maintenance of the 1.2 million square foot new International Terminal
- Concessions management at the new International Terminal
- Operation and maintenance of the Airport Transit System
- Management and operation of O'Hare's 18,000 parking spaces.

O'Hare International Retains 'World's Busiest Airport' Crown



O'HARE SERVES A WORLD OF TRAVELERS

Despite the airline industry's difficulties, O'Hare continued its strong growth over the past two years.

In 1992, the year of "Fare Wars," an unprecedented 64.4 million passengers passed through O'Hare. Of those, 5.2 million traveled internationally. Domestic passenger growth was up by 7.7%, while international growth jumped 10.3%.

O'Hare had a record-breaking month in July, 1992, when 6,791,175 passengers used the world's busiest airport.

Flight operations increased 4.7% in 1992 over 1991, with a total of 841,013 flights handled.

In 1993, O'Hare continued the trend, with another year of steady growth in both international and domestic passenger volume. A total of 65.9 million passengers were served in 1993 on 859,208 flights.

O'Hare's strongest growth in 1993 was in the realm of international traffic, with a 13% increase over 1992 figures. This is attributable to the growing non-stop worldwide cities available from O'Hare.

Double-digit growth in international traffic over the past two years is a strong sign of Chicago's increasing role as an international gateway, and the stunning new International Terminal will enhance that status in the years to come.



Cargo: O'Hare's Worldwide Marketplace



Cargo continues to be vital to O'Hare's future. With the completion of the South Cargo area, O'Hare now has one of the largest and most modern on-airport cargo facilities in the world, covering over 240 acres. Every day, over five million pounds of freight and over a million pounds of mail travel through O'Hare.

Cargo traffic continued to rise, with 1.2 million tons of freight and mail making its way through O'Hare's many cargo facilities in 1992. This represents a 12.9% increase over 1991 tonnage. The significant growth in cargo handled is attributable to the increase in international cargo operations. In 1993, O'Hare moved 1.3 million tons of cargo, signaling future growth.

In Chicago, the air cargo industry is an integral part of the economy. It contributes \$380 million in personal income to the region each year. It also generates employment opportunities responsible for creating 8,500 jobs for area residents.

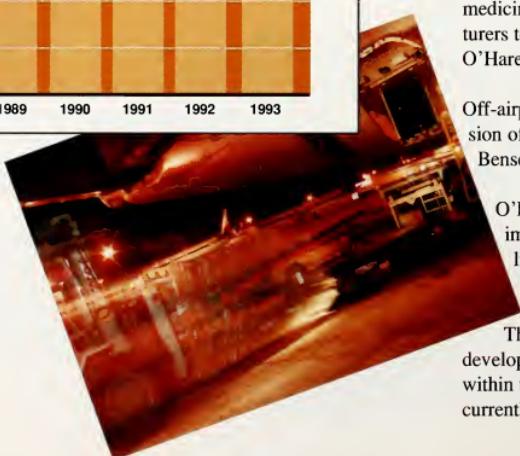
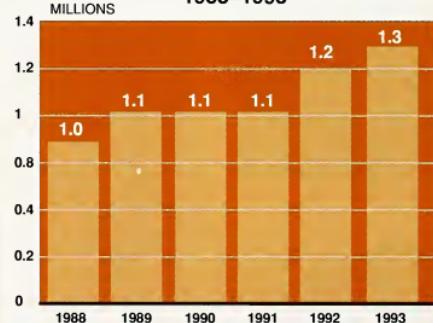
Goods are shipped to and from over 140 domestic and 30 international destinations. Air freight and air cargo are an important part of everybody's daily lives, from fresh seafood, fruit and flowers flown into O'Hare daily, to crucial and time-critical medicines shipped from nearby manufacturers to the rest of the world through O'Hare.

Off-airport, O'Hare has spurred the expansion of the cargo industry in Elk Grove, Bensenville and Park Ridge.

O'Hare, like many airports, realizes the important role cargo plays in the airline industry and is committed to maximizing its use.

The City of Chicago is studying the development potential for collateral land within the airport boundaries including land currently held by the military.

**CHICAGO O'HARE INTERNATIONAL AIRPORT
CARGO TONNAGE
1988-1993**



The City of Chicago has made a strong commitment to soundproof schools in the communities surrounding O'Hare and Midway.

At O'Hare and Midway, seven schools were soundproofed in 1992, and three more were completed in 1993. To date, the City has soundproofed 38 schools at O'Hare and Midway, at a cost of \$63.1 million.

The City lobbied vigorously on behalf of schools for federal dollars to fund the school soundproofing program and contributes PFC funds to this effort. In 1994, four more schools near O'Hare and Midway will be soundproofed. Special acoustical windows, central air conditioning and upgrades of ventilation systems, wiring, and asbestos removal are often part of the soundproofing effort.

Noise mitigation efforts will be an integral part of the City's capital program.



"Soundproofing has truly been a gift from heaven. The change in the educational environment has been 100% for the better. We never realized what a difference noise abatement could make."

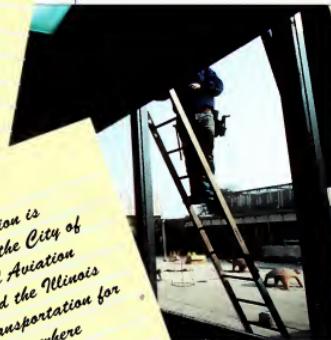
*-Joyce Seidel, Principal
Fleming and Grimes Schools
(Near Midway Airport)
Chicago, IL*

While focused on future growth, the City also looked for ways to improve the quality of life for its neighbors.

The Board of Education is extremely grateful to the City of Chicago, the Federal Aviation Administration, and the Illinois Department of Transportation for creating environments where children can learn.

"Having O'Hare Airport as a neighbor has been a fortunate circumstance for our children. As all good neighbors should be responsible, O'Hare has continually shown itself to be a good neighbor."

*-John F. Ludolph
Superintendent
School District 83
Soundproofed schools:
Mannheim Jr. High, Roy
School and Westlake School*



Highlights: Capital Projects Completed at Midway 1992-1993



MIDWAY AIRPORT: 193 DAILY FLIGHTS TO 63 CITIES

The strong recovery at Midway Airport continued, with some 6.7 million passengers using the close-in and convenient airport in 1993. Today, 63 cities are served by Midway Airport, and the number continues to grow. The airport's low debt burden and operating costs have attracted many new carriers to initiate service from Midway.

COMPLETED MIDWAY CAPITAL PROJECTS

1992:

- Rehabilitation of Runway 13C-31C
- Security Improvements
- Command Center
- Entrance Roadway Rehabilitation
- Parking Lot Reconfiguration
- School Soundproofing

1993:

- Taxiway Guidance Lights
- Extensive Runway/Taxiway Signage
- Initiated Noise Barrier Fence Project
- School Soundproofing
- Landscaping



Midway Airport also completed a new Parking Lot configuration and rehabilitation. In addition, the City planted trees and shrubs to spruce up the short-term parking lot.

ORANGE LINE OPENS TO FANFARE

The CTA opened a new rapid transit line from the downtown business area to Midway Airport on November 3, 1993. The transit line makes the airport more attractive than ever, by reducing travel time from downtown to the airport to 30 minutes. With improved access, the "Orange Line" will bolster Midway Airport's "convenient" image for the future and attract new passengers.

An elevated skybridge connects travelers directly to the terminal building. Free luggage carts are available on the skybridge for passengers with baggage.

PLANNED TERMINAL IMPROVEMENTS AND MODERNIZATION INCLUDING:

- New restrooms
- Hold pads and taxiways to improve ground traffic and reduce delays
- Two runway rehabilitation projects
- Noise barriers for airport perimeter
- School soundproofing
- Interior signage replacement
- New lobby vestibule heaters
- Airport Maintenance Complex

“The institution of the PFC program at O’Hare and Midway Airports ensures that economic growth continues by providing not only necessary improvements to these air transportation facilities, but also much-needed jobs for local individuals as these programs are put in place,” said Mayor Daley.

MIDWAY’S PART 150 STUDY COMPLETED AND APPROVED

In addition to the completion of a Master Plan, the City also completed a Part 150 Noise Compatibility Study for Midway Airport. The Noise Compatibility Plan includes several initiatives to deal with aircraft noise impacts, including new barrier fences to redirect noise on the airport perimeter, a permanent noise monitoring system, continuation of the City’s successful school soundproofing program, and use of preferential flight tracks.

IN OTHER EFFORTS TO ADDRESS AIRCRAFT NOISE, THE CITY:

- Completed a detailed analysis of commercial airlines flight operations and primary nighttime operators.
- Completed noise soundproofing on three neighborhood schools, while initiating design and construction on additional schools.
- Encouraged air carriers to accelerate acquisition of the new quieter generation jets, Stage 3 aircraft. Stage 3 jet operations have grown steadily over the past three years, to 51% at Midway.

Over the next ten years, the City will invest \$130.8 million for Midway Airport Capital projects



Midway Airport’s new parking exit toll plaza won two architectural awards given by the American Institute of Architects, including the 1993 Distinguished Building Award and the Divine Detail Award. The Society of American Registered Architects also honored the toll plaza for Superior Achievement and professional design excellence.

Midway Master Plan Completed

MASTER PLAN COMPLETED

A new Master Plan for Midway Airport was completed during the first half of 1993. The plan lists projects in several categories, including runway and taxiway improvements, passenger terminal area, ground access and airport support facilities improvements.

Funded by federal grants, General Airport Revenue Bonds and PFC revenues, the Master Plan will help Midway Airport to accommodate forecast demand by the air traveling public that uses it.

Conceptual plans to expand the terminal are ready to be moved to design as soon as demand for additional gates is realized and financial feasibility is assessed.

MIDWAY AIRPORT USE AGREEMENT:

Also in the fall of 1993, after developing a long-term lease agreement for airlines serving Midway, the City signed a new long-term 10-year lease agreement with Southwest Airlines, signaling its long-term commitment to this close-in and convenient airport. KIWI Airlines has also signed the agreement effective January 1, 1994.

The recently executed new Airport Use Agreement will require the completion of \$130.8 million in airport improvements over the next ten years.

Many airlines have realized the strong market that Midway represents, and today, 15 airlines call the airport home—more than ever before. This diversity helps keep competition strong and encourages future growth. It also indicates that these carriers realize the historically strong local service demand, with over 80% of all traffic comprised of origination/destination travelers.

NEW AIR SERVICE AT MIDWAY:

1992:

American Trans Air
America West
Kiwi
MarkAir
TWA
TW Express

1993:

Capitol Air
Chicago Express
Midway Airlines
Midway Connection
Private Jet



In addition, four other long-established Midway Airport air carriers expanded service with new destinations and flights:

Comair
Northwest
Southwest
USAir

Continental Airlines will begin service from Midway in March 1994.

MORE JOBS CREATED:

Southwest Airlines opened a \$2.5 million Reservation Center at Midway Airport, creating 300 jobs. In addition, a pilot domicile was established by Southwest in Chicago, adding another 145 jobs. Today, 220 pilots now call Chicago home.

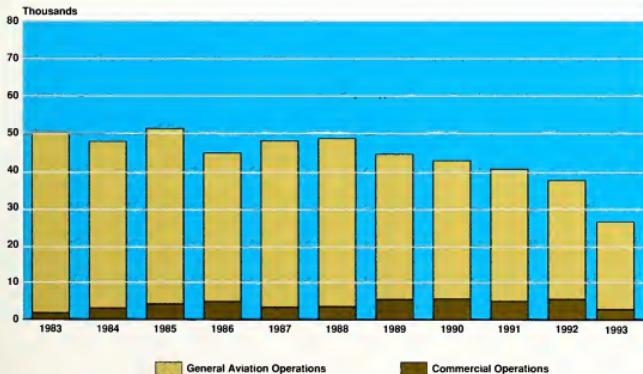




Meigs Field, a predominantly general aviation facility, continued to see a decline in both commercial and general aviation operations over the past five years.

It is the City's intention to close Meigs Field when the current lease with the Chicago Park District expires in 1996.

Chicago Meigs Field
Historical Operating Activity 1983–1993



Mission:

The Department of Aviation is dedicated to making Chicago's Airport System not only the busiest but the best in the world.

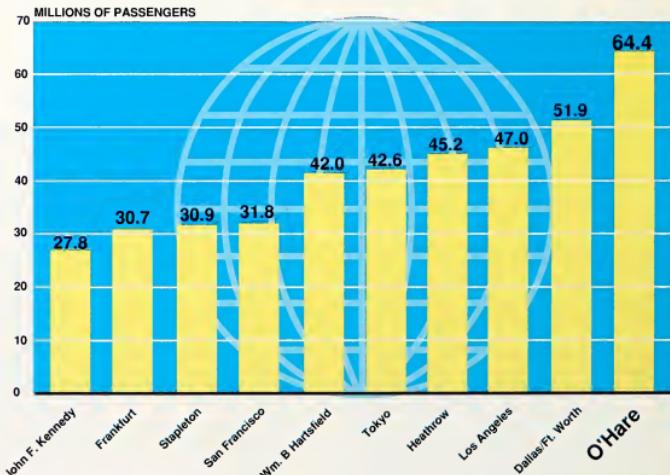
Realizing the economic force the airport represents, the City will strive to accommodate existing and forecasted aviation demand.

It is our top priority to enhance the airport experience, so that passengers remember Chicago for its friendliness and ease of travel.



Front row: Left to right: Commissioner David R. Mosena, Deputy Comsr. Kitty Freidheim, Deputy Comsr. Robert Repel.
Back row: Left to right: Deputy Comsr. Charles Meyer, Managing Deputy Comsr. Dwain Hawthorne, First Deputy Comsr. Hugh Murphy, Deputy Comsr. Elaine Rackos, Deputy Comsr. David Suomi, Deputy Comsr. Raj Rambahan, Deputy Comsr. Richard Kunicki, Deputy Comsr. Josie Gough, Deputy Comsr. Jack Hartman and Managing Deputy Comsr. John Vranicar.
(Not pictured: Deputy Comsr. Jerome Smith)

1992 PASSENGER ACTIVITY THE WORLD'S 10 BUSIEST AIRPORTS



Source: Airports Council International; Air Traffic Report, 1992

**CHICAGO CREATES GALLERY OF INTERNATIONAL IMPRESSIONS FOR NEW TERMINAL
TWELVE PAINTINGS OFFER WORLDWIDE PERSPECTIVE OF CHICAGO**



Artist: Hideo Nakai, Osaka, Japan
My Collection in Chicago

In celebration of the May, 1993, opening of Chicago O'Hare's New International Terminal, the Chicago Sister Cities Program, Inc., the City of Chicago Department of Cultural Affairs and the Chicago Department of Aviation sponsored a unique international arts exchange. Twelve established artists from Chicago's sister and friendship cities were invited to travel to Chicago and create individual murals reflecting their personal impressions of the City.



Artist: Olga Antonenko, Kiev, Ukraine
Spring in Chicago

Chicago Mayor Richard M. Daley saw this project as an excellent opportunity to showcase artists from Chicago's Sister Cities and allow them to capture the spirit of Chicago on canvas. The international scope of this project and the cooperative spirit that created the captivating murals are symbolic of the Chicago Sister Cities Program, dedicated to fostering global understanding through people-to-people exchanges.



Artist: Mohammed Chabaa, Casablanca, Morocco
LaSalle Street

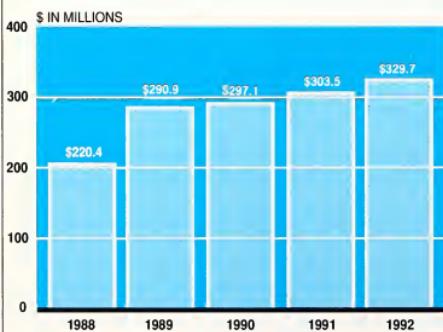
These murals are now on display in the International Terminal for a worldwide audience to view upon arriving in Chicago.

Operating income at O'Hare increased 20.7% to \$91.0 million in 1992. This increase was due primarily to an increase in operating revenues. During 1992, operating revenues increased 8.6% to \$329.7 million. Operating revenues, which consist primarily of landing fees, terminal area rental and use charges and concessions have steadily increased since 1988. The increase in landing fees from \$92.3 million in 1991 to \$98.8 million in 1992 was due to an increase in air traffic. The increase in terminal area rentals and use charges from \$119.9 million in 1991 to \$132.7 million in 1992 was due to an increase in rates. The increase in rates was necessary to meet debt service and operating and maintenance costs associated with the Airport.

The generation of the above revenues is governed by the Chicago-O'Hare International Airport Amended and Restated Airport Use Agreement and Terminal Facilities Lease (Use Agreement). Air carriers wishing to establish a long-term commitment and relationship with O'Hare must become Signatories to the Use Agreement, which sets out formulas to generate fees and charges sufficient to cover all airports' annual costs of operations.

Operating Expenses at O'Hare have increased steadily since 1988, mirroring the increase in passenger volume and aircraft operations, climbing 4.6% over 1991 to \$238.7 million in 1992. Operating Expenses consist primarily of Salaries and Wages, Depreciation, Repairs and Maintenance, and Other. Salaries and Wages increased 5.5% largely resulting from negotiated labor union contract.

**Chicago O'Hare International Airport
OPERATING REVENUES
1988-1992**



**Chicago O'Hare International Airport
OPERATING EXPENSES
1988-1992**

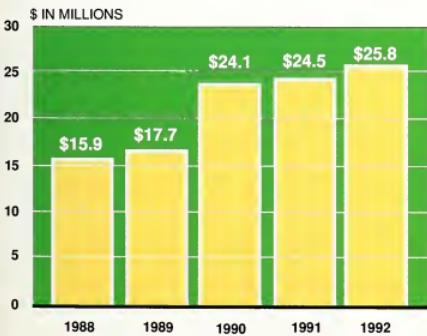


Midway continued in 1992 to rebound steadily from the loss of its primary tenant in November of 1991. Midway's low debt burden and operating cost have appealed to established as well as emerging second-tier air carriers. Midway's close proximity to downtown Chicago has also been a factor in the recovery.

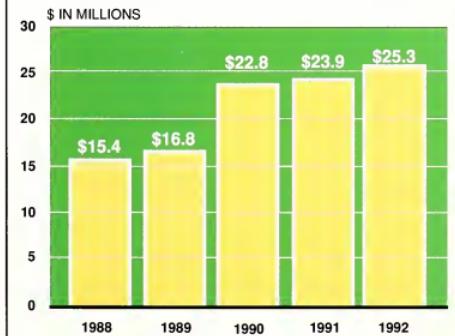
During the year ended December 31, 1992, Operating Revenues increased to \$25.8 million from \$24.5 million in 1991. Operating Revenues consist of Landing Fees, Terminal Area Use Charges, Rent and Concessions. Landing Fees increased from \$11.2 million in 1991 to \$12.8 million in 1992 due to a rate increase, offsetting the decrease in Airport activity resulting from the bankruptcy and cessation of operations by a major airport tenant. Rent, Concession and Other decreased from \$12.4 million 1991 to \$11.7 million in 1992 largely because of reduced Airport activity following the bankruptcy of a major airport tenant.

The largest Operating Expense is Salaries and Wages which decreased from \$17.6 million in 1991 to \$14.6 million in 1992 due principally to work force reductions implemented as a result of reductions in air carrier operations. Other Operating Expenses increased from \$3.2 million in 1991 to \$7.4 million in 1992 largely because of one-time bad debt expenses as a result of the bankruptcy of a major airport tenant.

**Midway Airport
OPERATING REVENUES
1988-1992**



**Midway Airport
OPERATING EXPENSES
1988-1992**



Condensed Statement of Operations

Year Ended
December 31, 1992
(\$ in Millions)

	O'HARE	MIDWAY
Operating Revenue		
Landing Fees and Terminal Area Use Charges	\$201.7	\$14.1
Rent, Concessions and Other	<u>128.0</u>	<u>11.7</u>
Total Operating Revenue	329.7	25.8
Operating Expenses		
Salaries and Wages	95.5	14.6
Repairs and Maintenance	30.5	1.7
Depreciation	45.9	1.6
Other	<u>66.8</u>	<u>7.4</u>
Total Operating Expenses	238.7	25.3
Net Operating Income	\$91.0	\$0.5
Operating Activity		
Operating Income	\$ 91.0	\$ 0.5
Adjustments:		
Depreciation	45.9	1.6
Changes in Other Balance Sheet Accounts	<u>37.9</u>	<u>1.3</u>
Total Operating Activities	174.8	3.4
Capital and Related Financing Activities		
Proceeds from Debt Issuance	293.2	—
Acquisition of Property and Facilities	(397.4)	(32.8)
Debt Service and Other Capital Rebated Activities	<u>(67.3)</u>	<u>23.0</u>
Total Capital and Related Finance Activities	(171.5)	(9.8)
Investing Activities		
Increase in Cash Flows	369.7	9.3
Cash and Cash Equivalents Beginning of Year	<u>284.4</u>	<u>0.1</u>
Cash and Cash Equivalents End of Year	\$ 654.1	\$ 9.4

*Condensed
Balance Sheet*

December 31, 1992

(\$ In Millions)

Assets

	O'HARE	MIDWAY
Cash and Investments (Current and Restricted)	\$ 890.5	\$ 10.1
Accounts Receivable (Net of Allowance for Doubtful Accounts)	35.2	7.0
Other	21.7	7.9
Property and Facilities (Net of Depreciation)	<u>2,035.2</u>	<u>130.4</u>
Total Assets	<u>\$2,982.6</u>	<u>\$155.4</u>

Liabilities

Accounts Payable and Accrued Liabilities	\$ 171.3	\$11.3
Bond Anticipation Notes	0.0	20.0
Revenue Bonds (Current and Long-term)	2,246.3	0.0
Interest Payable	81.8	0.3
Deferred Revenue	41.5	0.0
Other—Due to Other City Funds	<u>8.9</u>	<u>0.1</u>
Total Liabilities	<u>2,549.8</u>	<u>31.7</u>

Fund Equity

Contributed Capital	194.5	106.1
Retained Earnings	<u>238.3</u>	<u>17.6</u>
Total Liabilities and Fund Equity	<u>\$ 2982.6</u>	<u>\$155.4</u>

1. Summary of Policies

O'Hare and Midway airports are included in the City's reporting entity as enterprise funds. The condensed statements present a summary of the O'Hare and Midway funds as of December 31, 1992. The following disclosure, which is substantially less than that contained in the Audited Financial Statements, summarizes information contained in each airport's annual audited financial statements which are separately available. The operations of Meigs, included in the City's General Fund, are not presented in this report.

The airport funds (O'Hare and Midway) are accounted for using a flow of economic resources measurement focus and the accrual basis of accounting to present the total sources and uses of revenues. Revenues are recognized when earned and expenses are recognized when incurred.

2. Cash, Cash Equivalents and Investments

Cash, Cash Equivalents and Investments were as follows for the year ended December 31, 1992 (\$ in Millions):

	O'Hare	Midway
Unrestricted		
Cash and Cash Equivalents	\$34.4	—
Investments	27.3	\$.7
Restricted		
Cash and Cash Equivalents	619.7	9.4
Investments	<u>209.1</u>	<u>—</u>
Total Cash and Investments	<u>\$890.5</u>	<u>\$10.1</u>

Cash, Cash Equivalents and investments are restricted as required, generally by Use Agreement or Bond Ordinance.

3. Fixed Assets

Fixed assets are stated at historical cost. Accumulated depreciation has been recorded using the straight line method over estimated useful lives ranging from 10-50 years. The carrying value of fixed assets at December 31, 1992, is as follows: (\$ in Millions)

	O'Hare	Midway
Land	\$ 68.9	\$ 38.5
Buildings and other Facilities	1,625.0	61.4
Construction in progress	<u>762.0</u>	<u>46.6</u>
Total Fixed Assets	2,455.9	146.5
Accumulated Depreciation	(420.7)	(16.1)
Net—Fixed Assets	<u>\$2,035.2</u>	<u>\$130.4</u>

4. Revenue Bonds and Debt Service at O'Hare

On March 31, 1983, the City Council adopted the General Airport Revenue Bond Ordinance (Ordinance) authorizing the issuance and sale of Chicago-O'Hare International Airport General Airport Revenue Bonds for the purpose of financing or reimbursing the cost of improvements and expansion of the Airport and to redeem existing outstanding bond obligations of the Airport. Net revenues of the Airport, as defined, are pledged for first lien bond principal and interest payments. The Ordinance further permits the issuance of the second lien notes, bonds, and other obligations which are payable from, and secured by, a pledge of amounts deposited in the junior lien obligation debt service account created under the Ordinance.

First Lien, Second Lien and International Terminal Special Revenue Bonds have been issued under the Ordinance, Master Indenture Securing Second Lien Obligations and Master Indenture Securing International Terminal Special Revenue Bonds, respectively. The following summarizes revenue bonds outstanding at December 31, 1992 (\$ in thousands).

	Original Amount	Year Ended December 31, 1992
Series 1983 A and B First Lien Bonds issued May 12, 1983, due 1985 to 2013; interest at 8.50%– 9.625%	\$ 175,000	\$ 161,880
Series 1984 A and B First Lien Bonds issued November 27, 1984, due 1986 to 2015; interest at 9.25%–10.625%	350,000	329,210
Series 1984 A Second Lien Bonds issued December 27, 1984, due 1986 to 2015 at variable floating interest rates (3.00% at December 31, 1992)	50,000	45,400
Series 1984 B Second Lien Bonds issued December 27, 1984, due 1986 to 2015 at variable floating interest rates (3.35% at December 31, 1992)	50,000	45,420
Series 1985 A First Lien Bonds issued December 30, 1985, due 1989 to 2016; interest at 7.50%–8.75%	470,000	448,510
Series 1988 A First Lien Bonds issued February 1, 1988, due 1993 to 2018; interest at 6.20%–8.20%	100,000	100,000

	Original Amount	Year Ended December 31, 1992
Series 1988 A Second Lien Bonds issued December 21, 1988, due 1991 to 2018 at variable floating interest rates (4.65% at December 31, 1992)	\$ 125,000	\$ 122,500
Series 1988 B Second Lien Bonds issued December 31, 1988, due 1991 to 2018 at variable floating interest rates (4.65% at December 31, 1992)	25,000	24,500
Series 1990 A International Terminal Special Revenue Bonds issued April 5, 1990, due 1996 to 2018; interest at 6.80%–7.625%	489,735	489,735
Series 1990 A and B First Lien Bonds September 27, 1990, due 1995 to 2018; interest at 6.80%–7.50%	244,035	244,035
Series 1992 A First Lien Bonds issued August 1, 1992, due 1995 to 2018; interest at 4.40%–6.00%	130,055	130,055
Series 1992 A International Terminal Special Revenue Bonds issued October 15, 1992, due 1996 to 2018; interest at 5.00%–5.625%	174,550	174,550
Total Long-term Revenue Bonds Payable	\$2,383,375	\$2,315,795

Debt Service requirements to maturity are presented as follows for:

First Lien Bonds

Year	Principal	Interest	Total
1993	\$ 14,515	\$ 117,005	\$ 131,520
1994	15,710	120,200	135,910
1995	23,845	118,877	142,722
1996	25,710	117,019	142,729
1997	27,735	114,978	142,713
1998-2018	<u>1,306,175</u>	<u>1,394,732</u>	<u>2,700,907</u>
Total	<u>1,413,690</u>	<u>1,982,811</u>	<u>3,396,501</u>

Second Lien Bonds (Exclusive of Variable Rates Interest):

Year	Principal
1993	\$ 3,350
1994	3,610
1995	3,975
1996	4,340
1997	4,615
1998-2018	<u>217,930</u>
Total	<u>\$237,820</u>

International Terminal Special Revenue Bonds:

Year	Principal	Interest	Total
1994		\$ 20,325	\$ 20,325
1995		47,372	47,372
1996	\$ 12,375	47,372	59,747
1997	13,155	46,590	59,745
1998-2018	<u>638,755</u>	<u>615,908</u>	<u>1,254,663</u>
Total	<u>\$ 664,285</u>	<u>\$ 777,567</u>	<u>\$ 1,441,852</u>

5. Bond Anticipation Notes for Midway

On July 31, 1991, the City sold \$20 million of Chicago Midway Airport Bond Anticipation Notes, Series 1991, which bear interest at the Commercial Paper Rate not to exceed 12 percent per annum (three percent at December 31, 1992). All notes become due on August 1, 1994.

6. Pension Plans and Deferred Compensation Plan

Eligible City employees participate in one of four single-employer defined benefit plans. The vast majority of all full time employees of the Airports become members of either the Municipal Employees or the Laborer's and Retirement Board Employees Annuity and Benefit Funds. The City also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457.

7. Vacation and Sick Leave

Employee vacation leave that vests is recorded when earned. Accumulated sick leave is not accrued because employee rights to receive compensation for the unused portion terminated upon severance of employment.

8. Contingencies and Commitments

The airports have certain contingent liabilities resulting from litigation claims and commitments incident to the ordinary course of business. It is the opinion of the City's management that final resolution of such contingencies will not have a material adverse effect on the financial position or results of operations of the airports.

Photography credits:

Peter J. Schulz, City of Chicago
Jeffrey A. Graves (Midway Parking Aerial)
Hedrich Blessing (Terminal 5 photography)

Design:

City of Chicago, Graphics and Reproduction Center
Cornell Hughes, Director
Pablo de Leon, Creative Director



